

AR12



NEW IMPERIAL MINES LTD.

1968 ANNUAL
REPORT

1968 ANNUAL REPORT

OFFICERS

ARNOLD PITT, President
DAVID M. MORGAN, Vice-President and
Chief Executive Officer
RAYMOND O. HAMPTON, Secretary-Treasurer

DIRECTORS

DAVID B. FINLAY
EARL B. GILLANDERS
KENJIRO KAWAKAMI
ERIC G. LAMBERT
YOSHIYUKI MARUO
TOSHIO MIZUTA
ARNOLD PITT
PATRICK M. REYNOLDS
G. CLINTON SNELL

**TRANSFER AGENT
AND REGISTRAR**

CANADA PERMANENT TRUST COMPANY,
Vancouver, B.C.; Toronto, Ont.;
Montreal, Que.; Calgary, Alta.

BANKERS

TORONTO-DOMINION BANK, Vancouver, B.C.;
Whitehorse, Y.T.

SOLICITORS

LAWRENCE & SHAW, Vancouver, B.C.

AUDITORS

McDONALD, CURRIE & CO., Vancouver, B.C.

COMPANY OFFICES

HEAD OFFICE:
Marine Building, 355 Burrard St., Vancouver, B.C.

TORONTO OFFICE:
85 Richmond St. West, Toronto, Ont.

MINE OFFICE:
Box 2380, Whitehorse, Y.T.

SHARES LISTED

TORONTO STOCK EXCHANGE
VANCOUVER STOCK EXCHANGE

Directors' Report to the Shareholders

EARNINGS

The first full year of operations at New Imperial Mines Ltd. produced an operating income of \$2,375,284; the earnings after provision for depreciation, loss on disposal of fixed assets and interest on funded debt amounted to \$1,258,735. This represents earnings per share of 19.8¢.

MILLING

Mill performance has been improved as experience has been gained by studies in milling, metallurgy and flotation of the ores. Many improvements in mill circuitry and equipment have been made and copper recovery has assumed an upward trend throughout the period. Further improvements were made to overcome the effects of extremely cold weather, which is most severe during January and February. Evidence of these was shown in your first quarterly report for 1969 in which earnings, mill throughput of ore, and copper recovery were compared with the same period in 1968. However, additional improvements are planned to maintain maximum mill throughput during the winter months.

DEVELOPMENT

Your Company has developed a profitable mining and milling operation with open pit ore deposits, and has considerable potential to increase such ore reserves over its 571 mineral claims on the copper belt. In addition, five million tons, proven and inferred, beneath the Little Chief open pit will enable us to develop a full scale underground operation. Our Geologists and Consultants confidently expect that this particular area will yield more reserves along strike and at depth.

Plans for developing the underground ore have been underway for some time and it is expected that a start can be made in the near future. In November 1968, your Directors, encouraged by new and favourable in-

formation in rock structures from our open pit mining experience, requested a feasibility study on mining of the underground ore utilizing an underground incline road to provide access to the ore. This report is near completion and your Directors are confident that it will give a sound basis on which to seek the additional finances needed for developing an underground mine. It will also provide for improved capacity to mill underground and open pit ore during periods of below normal winter temperatures.

EXPLORATION

Exploration for 1968 was directed mainly at the mineral claims to the north of the present War Eagle open pit, on areas evidencing presence of sulphides. Presence of pyritic materials confused the targets, although significant high grade ore intersections were found which will require further drill exploration. At Cowley Park and Best Chance, limited drilling increased ore reserves. The drilling at Gem area near Keewenaw, which was begun late in 1968, revealed a challenging display of good ore intersections under thin overburden. Twenty-five holes have been put down, with encouraging results indicating that the area will produce an open pit mine of good grade. There is every prospect of this ore continuing to greater depth. Sufficient drilling for ore reserve calculations has yet to be carried out.

In all future surface exploration we must consider the potential existence of deep orebodies. Exploration this year will be much expanded over last year. It is intended to drill the Big Chief and Middle Chief orebodies from drill stations cut from the incline proposed to mine the Little Chief underground orebody.

ORE RESERVES

After milling 732,095 tons, our ore reserves, proven and inferred, amounted to 8,778,000 tons at a grade of 1.68% Cu.

LONG TERM DEBT

During the year an amount of \$797,000 was repaid on the Toronto-Dominion Bank loan. The retirement of this loan was completed in 1969.

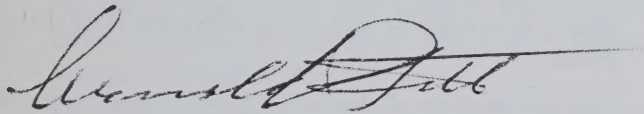
Sumitomo Metal Mining Co. Ltd. elected to exercise a portion of its option and converted \$297,530 of its loan into 230,768 shares. It has further options which can be exercised in 1969 and 1970.

LAWSUIT

A dispute arising from contractual obligations of one of the construction contractors has resulted in a lawsuit for amounts which the Company maintains are outside the contract scope. This action is being defended on the grounds that the contractor has received all payments for all work performed under the contract.

We wish to express appreciation to all personnel employed at our complex project, as well as to the community in Whitehorse and Agencies of the Territorial Government involved in this project. Also, the contribution of Sumitomo Metal Mining Co., in providing general help and guidance is gratefully acknowledged.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read 'Harold Gitt', with a long horizontal flourish extending to the right.

President

May 9, 1969.

Report of the Mine Manager

The President and Directors,
New Imperial Mines Ltd.

This report summarizes operation and exploration activities at the Company's Whitehorse property for the 1968 fiscal year.

We are continuing to make improvements in all phases of the operation.

OPEN PIT MINING

During the year we commenced mining the Arctic Chief deposit and at the same time continued working on the final benches of the Little Chief open pit. These pits will be depleted early in 1969 and our 200,000 ton crude ore stockpile will supply mill feed until the War Eagle mine is brought into production. This mine will be the source of ore until early in 1971.

SUMMARY OF PRODUCTION

	Year ended December 31, 1968	Six Months ended December 31, 1967
Ore from:		
Little Chief Pit	748,946 tons	306,463 tons
Arctic Chief Pit	174,482 tons	
Waste from:		
Little Chief Pit	2,238,154 tons	922,679 tons
Arctic Chief Pit	252,500 tons	
Ore milled	732,095 tons	368,321 tons
Grade of copper	1.03%	1.14%
Recovery	80.6%	72.7%
Copper produced	12,159,641 lbs.	6,023,532 lbs.
Operating cost per ton milled	\$3.73	\$3.29

MILLING OPERATION

The various metallurgical and design alterations completed in 1968 have enabled operating personnel to improve recovery by 8% over the previous year.

A mill extension was completed in January, 1969. Mechanical and electrical shops are in this new location, providing better access and a more efficient service from these departments for the mill area.

DEVELOPMENT

Access to the deep ore in Little Chief by means of an incline, and mining of the orebody with trackless equipment was proposed by the Company's staff. This program, when initiated, will lead to early production from the Little Chief orebody, as well as provide an approach for exploration of the Middle Chief and Big Chief extensions. A feasibility study is currently in progress.

EXPLORATION

Extensive exploration of the property continued during the 1968 field season. A total of 177 line miles were geologically mapped and covered by electro-magnetic and magnetometer surveys. In addition, approximately 77 line miles of induced polarization survey work was completed.

During this period 20,000 feet of diamond drilling was carried out on various parts of the property. This drilling was for assessment purposes and to test a number of the anomalies outlined in the previous season.

The presence of sulphides was confirmed in the anomalous zones in the War Eagle area but these were due mainly to iron pyrite with spotty intersections of chalcopyrite.

The ore reserves of the Best Chance deposit were increased by 120,000 tons of 1.16% Cu and those of Cowley Park by 155,000 tons of 1.3% Cu.

Drilling on the new Gem anomaly is progressing favourably. Ore grade mineralization has been intersected in the majority of the drill holes. Additional drilling is required before ore reserves can be calculated. Five holes will be drilled on War Eagle South, to provide final information for open pit mining.

Detailed mapping of the property will be completed this summer and geophysical surveys will be carried out in favourable areas to pinpoint targets for future investigation.

ORE RESERVES

As at December 31, 1968, the proven and inferred ore reserves were:

	Tons	% Cu
Stockpile	200,000 @	0.93
Little Chief - Open Pit	238,000	1.35
Arctic Chief	95,000	1.60
War Eagle	1,045,000	1.27
Best Chance	310,000	1.05
Keewenaw	485,000	1.05
Cowley Park	1,405,000	0.86
	<u>3,778,000</u>	1.07
Little Chief - Underground	5,000,000	2.14
	<u>8,778,000</u>	1.68

CAPITAL EXPENDITURES

An amount of \$700,076 was expended on capital improvements for items such as mobile equipment, mill extension, mill equipment, upgrading of our water supply and tailings system, and housing. The commencement of mining at War Eagle will require additional capital expenditures in 1969.

Sincere appreciation is extended to all employees for their efforts in making the past year a success.

W.A. Sloan
Mine Manager

Whitehorse, Yukon Territory
May 2, 1969



Little Chief pit with mill complex in background



Equipment working on final benches of Little Chief pit



Loading of copper concentrate at Vancouver Wharves storage shed for shipment to Japan

Auditors' Report to the Shareholders

We have examined the statement of financial position of New Imperial Mines Ltd. as at December 31, 1968 and the statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Generally accepted accounting principles, as presently applied to mining, require that deferred expenditures be amortized by charges to income in amounts and over periods which can vary according to the rate of which ore reserves will be absorbed into production. The company does not amortize deferred expenditures by a charge to current operations but has adopted a policy referred to in note 4. It is not possible or practicable to determine the ultimate ore reserves or the life of the mining properties at this time. Based on presently determined ore reserves, the earnings for the year would have been reduced by approximately \$200,000 if deferred expenditures had been amortized. On this basis total amortization from commencement of production would be approximately \$300,000 and retained earnings would have been reduced by that amount.

Subject to the qualification set out in the preceding paragraph, in our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

McDONALD, CURRIE & CO.,
Chartered Accountants.

Vancouver, B.C.
February 20, 1969.

Statement of Financial Position

AS AT DECEMBER 31,1968

	1968 \$	1967 \$
CURRENT ASSETS		
Cash	316,275	560,351
Concentrate settlements receivable, at estimated realizable value	72,301	472,627
Accounts receivable	8,763	19,355
Concentrate inventory, (for which a sales contract has been made) at estimated net realizable value	1,176,082	816,839
Broken ore inventory, at cost	183,800	
Mine materials and supplies, at cost	456,508	440,857
Prepaid expenses	96,309	18,354
	<u>2,310,038</u>	<u>2,328,383</u>
Deduct:		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	549,008	779,059
Yukon royalty	34,613	20,000
Long-term debt maturing within one year (note 5)	1,093,105	1,088,103
	<u>1,676,726</u>	<u>1,887,162</u>
WORKING CAPITAL	633,312	441,221
OTHER ASSETS		
Loan to director	9,000	10,000
Mining properties (notes 1 and 2)	486,086	393,490
Plant and equipment, less accumulated depreciation (note 3)	6,755,234	6,683,637
Deferred expenditures (notes 1 and 4)	3,175,175	2,674,690
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>11,058,807</u>	<u>10,203,038</u>
Deduct:		
LONG-TERM DEBT , less amounts maturing within one year (note 5) ..	5,811,923	6,528,119
SHAREHOLDERS' EQUITY	<u>5,246,884</u>	<u>3,674,919</u>
REPRESENTED BY:		
Capital stock (notes 6 and 7)		
Authorized - 10,000,000 shares of no par value (1967 - 7,500,000 shares)		
Issued and fully paid - 6,368,001 shares (1967 - 6,131,233 shares)	3,421,984	3,108,754
Retained earnings	<u>1,824,900</u>	<u>566,165</u>
	<u>5,246,884</u>	<u>3,674,919</u>

Signed on behalf of the Board
 ARNOLD PITT, Director
 G. C. SNELL, Director

Statement of Earnings and Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1968

	Year ended December 31, 1968	Six months ended December 31, 1967
	\$	\$
REVENUE FROM CONCENTRATES PRODUCED	6,976,063	3,900,335
Less: Treatment and marketing costs	1,296,211	679,874
	<u>5,679,852</u>	<u>3,220,461</u>
EXPENDITURES		
Cost of concentrate production	2,730,823	1,212,588
Administration	514,518	228,611
Exploration	29,227	46,123
Provision for Yukon royalty	30,000	20,000
	<u>3,304,568</u>	<u>1,507,322</u>
OPERATING INCOME	2,375,284	1,713,139
INTEREST ON 7¾ % FIRST MORTGAGE BONDS AND 6½ % LOAN	133,828	106,880
EARNINGS WHICH PROVIDE WORKING CAPITAL	<u>2,241,456</u>	<u>1,606,259</u>
OTHER EXPENSES		
Depreciation (note 3)	624,408	274,915
Loss on disposal of fixed assets	4,071	
Interest on 6% mortgage bonds	354,242	162,962
	<u>982,721</u>	<u>437,877</u>
NET EARNINGS FOR THE PERIOD (note 8)	1,258,735	1,168,382
RETAINED EARNINGS (DEFICIT) - BEGINNING OF YEAR	566,165	(602,217)
RETAINED EARNINGS - END OF YEAR	<u>1,824,900</u>	<u>566,165</u>

Statement of Source and Use of Working Capital

FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967
	\$	\$
SOURCE		
Operations	2,241,456	1,606,259
Loan to director repaid	1,000	
6% mortgage bonds		806,599
7¾ % mortgage bonds		2,749,603
6½ % loan	540,000	500,000
Mortgages	6,970	96,639
Capital stock issued	313,230	354,569
	<u>3,102,656</u>	<u>6,113,669</u>
USE		
Loan to director		10,000
Deferred expenditures (note 4)	500,485	520,349
Plant and equipment additions - net	700,076	2,337,839
Mining properties	92,596	87,370
Long-term debt repaid and due in current year	1,617,408	1,962,005
	<u>2,910,565</u>	<u>4,917,563</u>
INCREASE IN WORKING CAPITAL	192,091	1,196,106
WORKING CAPITAL (DEFICIENCY) - BEGINNING OF YEAR	441,221	(754,885)
WORKING CAPITAL - END OF YEAR	<u>633,312</u>	<u>441,221</u>

Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 1968

1. VALUES

The amounts shown for mining properties and deferred expenditures represent costs to date and are not intended to reflect present or future values.

2. MINING PROPERTIES

Mining properties as at December 31, 1968 are as follows:

	Number of claims	Amount \$
Mineral claims staked - at nominal value	406	7,345
Mineral claims purchased - at cost	64	334,241
Mineral claims under option - at option prices less amounts due under option agreements of \$218,000 to be paid in instalments extend- ing to 1972, of which \$65,000 is due in 1969	101	144,500
	<u>571</u>	<u>486,086</u>

3. PLANT AND EQUIPMENT

Plant and equipment costs and related accumulated depreciation, calculated on a straight line basis, are as follows:

	1968			1967	
	Cost \$	Annual rate	Accumulated depreciation \$	Net \$	Net \$
Mining equipment	1,666,764	20%	468,309	1,198,455	1,238,124
Plant and equipment	5,556,797	5%	407,102	5,149,695	5,118,765
Staff houses and land	428,382	4%	21,298	407,084	326,748
	<u>7,651,943</u>		<u>896,709</u>	<u>6,755,234</u>	<u>6,683,637</u>

4. DEFERRED EXPENDITURES

(a) The balance of deferred expenditures at December 31, 1968 is as follows:

		\$
Balance - December 31, 1967		2,674,690
Expenditures during the year—		
Little Chief Underground	173,052	
Arctic Chief	19,223	
War Eagle	164,581	
Best Chance	80,063	
Gem	6,995	
Cowley Park	28,422	
Keewenaw	28,149	500,485
Balance - December 31, 1968		<u>3,175,175</u>

- (b) The company does not amortize deferred expenditures by a charge to current operations. Under the Federal Income Tax Act these expenditures can be deferred until the end of the three year tax exempt period. It is the company's intention to write them off to retained earnings after that period, which expires on July 31, 1970.

5. LONG-TERM DEBT

	1968	1967
	\$	\$
(a) 7¾ % first mortgage bonds (\$1,000,000 U.S.) maturing June 30, 1969	1,081,264	1,884,103
(b) 6% (or prime bank rate, whichever is higher) mortgage bonds (\$4,070,000 U.S.) maturing December 31, 1972, repayable, after (a) above, at the greater of 7½¢ U.S. per pound of copper produced or the operating profits, as defined, subject to conversion rights per note 7	4,383,150	4,680,680
(c) 6½ % loan (\$500,000 U.S.) repayable after (a) and (b) (formerly 6% loan)	540,000	500,000
(d) 6¾ %, 7¾ % and 8¾ % mortgage loans due by 1994, repayable at \$1,665 per month which includes principal, interest and taxes, secured by charges on land and houses for company employees	177,054	172,455
	6,181,468	7,237,238
Accrued interest	723,560	378,984
	6,905,028	7,616,222
Less: Portion maturing within one year included with current liabilities	1,093,105	1,088,103
	<u>5,811,923</u>	<u>6,528,119</u>

The 7¾ % first mortgage bonds and 6% mortgage bonds are secured by deeds of trust and mortgage constituting fixed and floating charges on all properties and assets of the company now or hereafter acquired.

At December 31, 1968 the prime bank rate was 6¾ %.

U.S. funds have been converted at the rate of exchange prevailing at the date of receipt.

6. CAPITAL STOCK

- (a) Since incorporation, the following shares have been issued for the consideration indicated:

	Shares	Amount \$
For cash	5,537,606	2,908,721
For services	352,826	34,987
For properties	477,569	478,276
	<u>6,368,001</u>	<u>3,421,984</u>

- (b) During the year ended December 31, 1968 the company issued 236,768 shares for \$313,230 cash.

- (c) No dividends shall be paid so long as the bonds under note 5 (a) and (b) are outstanding.
- (d) The authorized capital stock of the company was increased by 2,500,000 shares to 10,000,000 shares by a special resolution of the shareholders as confirmed by a certificate of the Registrar of Joint Stock Companies for the Province of Alberta dated July 3, 1968.

7. STOCK OPTIONS OUTSTANDING

The company has granted the 6% mortgage bondholders the option to convert up to \$1,480,000 U.S. of the bonds to 1,230,769 shares of the capital stock of the company (note 5). To December 31, 1968, bonds of \$277,499 U.S. had been converted under the option to 230,768 shares.

The company has granted, as an incentive to senior salaried employees of the company, options to purchase a total of 73,000 shares of the capital stock of the company at a price of \$2.60 and \$2.65 per share. These options are exercisable in varying amounts to April 30, 1971. To December 31, 1968, 18,334 of these shares had been purchased under the options.

8. INCOME TAXES

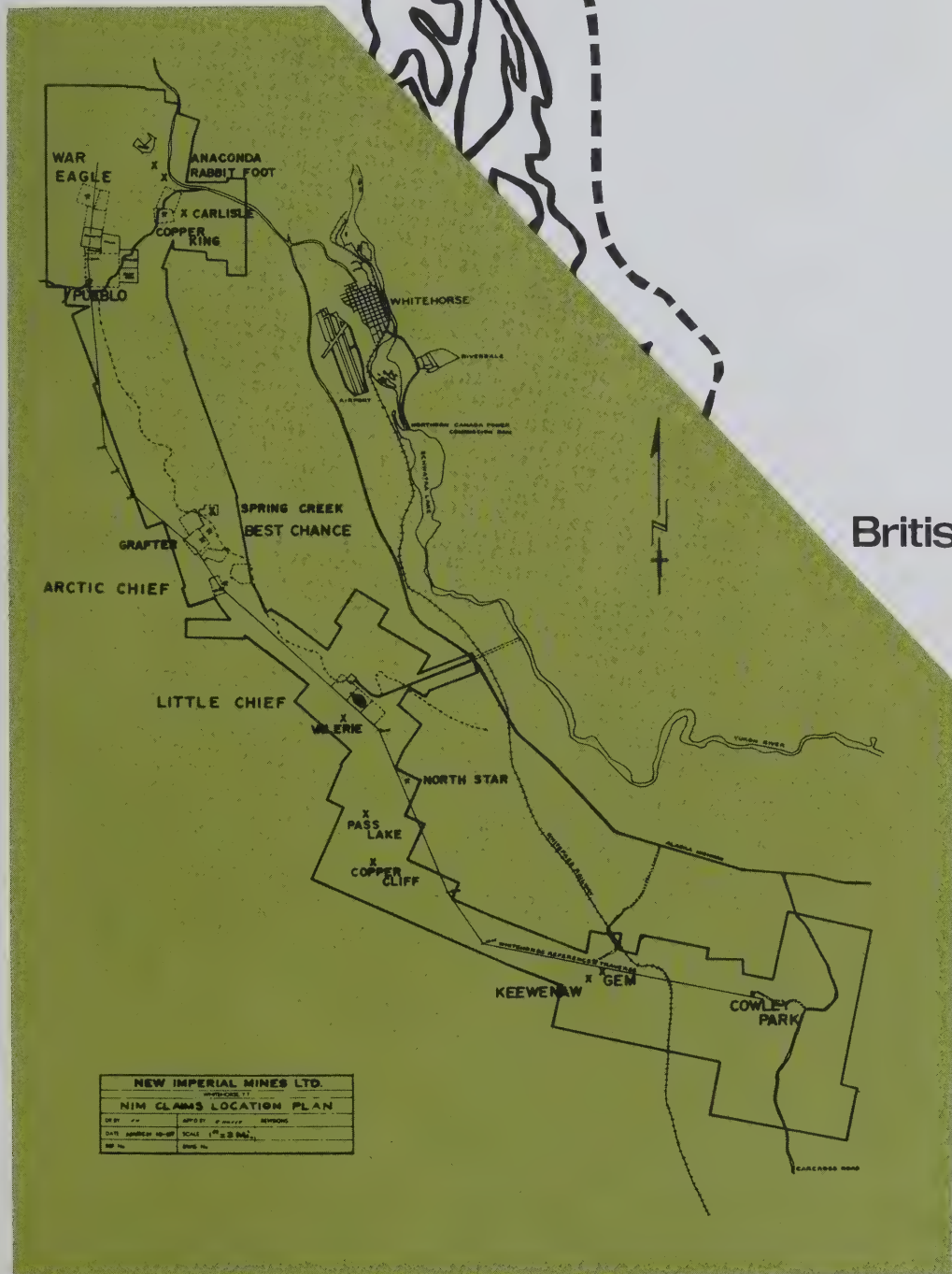
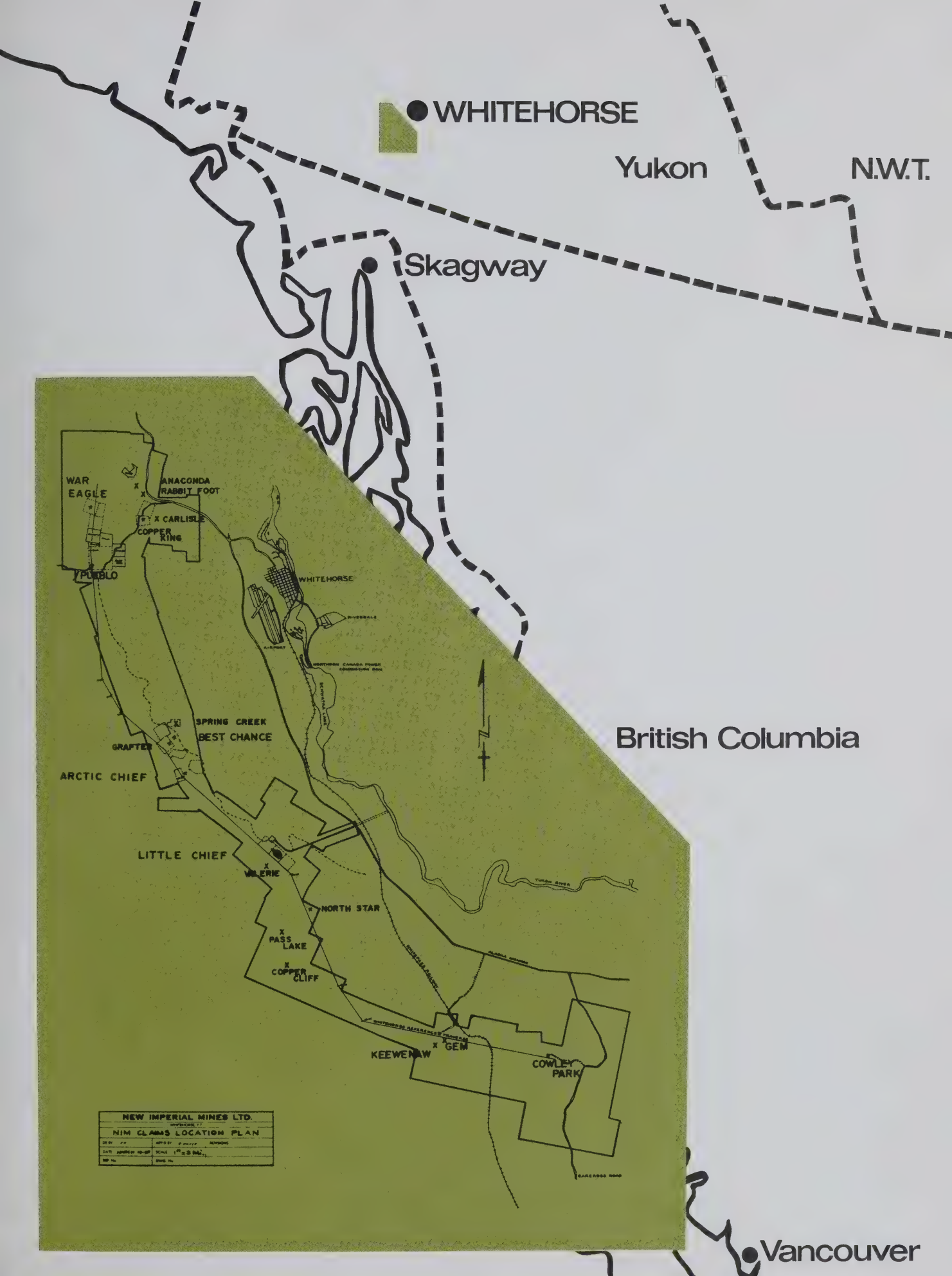
Under the provisions of the Income Tax Act, the company is exempt from income taxes for a three year period from August 1, 1967, the date the Department of National Revenue deems the company to have commenced production.

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Senior officers, as defined by the Alberta Securities Act, 1967, include the five highest paid employees of a company. The aggregate direct remuneration paid during 1968 to the directors and senior officers (three of whom are mine personnel) amounted to \$141,383.

10. CONTINGENT LIABILITY

A suit has been brought against the company and a co-defendant in the total amount of \$575,012 for work claimed to have been done relating to plant and equipment construction. The company has set aside an amount of \$40,000 with regard to the claim and is defending the suit on the ground that the plaintiff has been paid in full, subject to adjustment and settlement of certain minor disputed items.



British Columbia

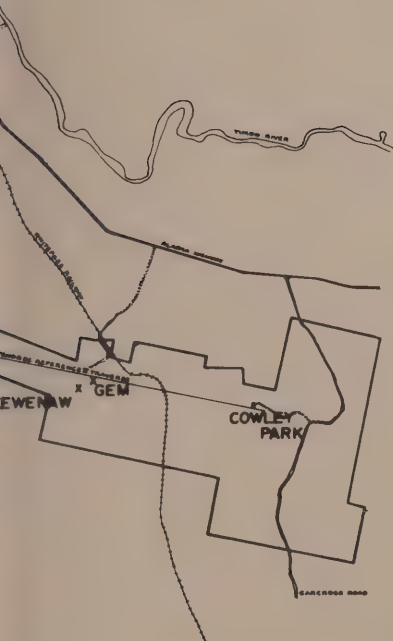
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NEW IMPERIAL MINES LTD.

QUARTERLY REPORT

Quarter Ended
December 31, 1968



NEW IMPERIAL MINES LTD.			
NIM CLAIMS LOCATION PLAN			
DATE	APPROVED BY	SCALE	REVISIONS
1968	1968	1" = 1000'	
DRAWN BY			

NEW IMPERIAL MINES LTD.

Head Office:	Toronto Office:
#310 - 355 Burrard St.	#801 - 85 Richmond St. West
Vancouver 1, B.C.	Toronto 1, Ont.

NEW IMPERIAL MINES

TO THE SHAREHOLDERS:

Earnings

I am pleased to report that our unaudited figures show an operating profit for the year ended December 31, 1968, of \$2,519,844. Net income amounted to \$1,273,849, or 20c per share.

New Imperial Mines repaid in January of this year a further \$536,000 principal, with interest, on its first mortgage bank bonds. The remaining total of \$536,000 will be retired during the next few months.

Fourth quarter earnings were \$420,665, or 6.6c per share. Copper prices during the quarter were considerably lower than a year ago, however, prices have improved in recent weeks.

On December 30, 1968, Sumitomo Metal Mining Co. Ltd. exercised its right to convert a portion of its debt, in the amount of \$300,000, into 230,768 shares of the Company. Further portions can be converted into shares on December 31, 1969 (\$500,000) and on December 31, 1970 (\$800,000).

Mine and Mill Operations

Mill recovery during the fourth quarter remained at the high level established in the previous quarter, but year-end adjustments in inventory reduced operating income. However, during this quarter a stockpile of 200,000 tons of ore was established adjacent to the crusher.

A total of \$600,000 was spent during the year on capital improvements to the mill and other facilities. Major items included mobile equipment, a mill building addition, further mill recovery equipment and upgrading of our water supply and tailings system. We expect that the throughput of the mill will be increased as a result of these improvements and this should effect considerable economies during the coming year.

Despite a prolonged and unusually severe cold spell, mining and milling operations continued through the winter period.

Preproduction

Preproduction work totalling \$210,000 was completed during the year at the War Eagle, Best Chance and Cowley Park open pit de-

posits. Most of this expenditure was utilized in preparing the War Eagle pit for mining, scheduled to commence later in 1969.

Exploration and Development

Planned winter drilling in the Gem and Middle Chief areas was interrupted for some weeks by extreme cold weather. Five holes have been drilled in the current Gem program, with the following results:

	Footage	Width	% Cu
Gem 12 -	78.5 - 145.0	66.5	1.20
Gem 13 -	No ore intersected		
Gem 14 -	167.0 - 224.6	57.6	2.06
Gem 15 -	Awaiting completion		
Gem 16 -	173.0 - 204.0	31.0	2.26

Drilling on both the Gem and Middle Chief areas has now recommenced and first results from the Middle Chief area are expected shortly.

SUMMARY OF OPERATIONS

Tons of ore milled (dry)

Grade of ore, copper

Recovery

Concentrate grade

Copper produced, lbs.

Average copper price per lb. (cents)

VALUE OF PRODUCTION, including
gold and silver

Deduct:
Production costs, administration,
transportation and marketing

OPERATING PROFIT

Deduct:
Depreciation, interest,
exploration and royalties

NET INCOME

SHARES ISSUED

Earnings per share

*No comparative figures shown for the same period in 19

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file
new
white holes

I feel our shareholders should know that your Company is seriously involved in the final phases of studies necessary to begin work on opening up underground mining in the ore-body beneath the Little Chief open pit.

It is our intention to adopt a modern mining method whereby access to the ore will be gained down an inclined underground road which will begin near the mill and pass southward parallel to the three ore zones, Big Chief, Middle Chief and Little Chief. This will facilitate underground development operations and exploration drilling.

Our objective is to get this project launched as soon as possible this Spring.

We will keep you informed of our progress.

On Behalf of the Board
ARNOLD PITT
President

February 28, 1969

NEW IMPERIAL MINES LTD.

Half Yearly Report

Quarter Ended December 31/68	Quarter Ended December 31/67	Year Ended * December 31/68
183,995	196,191	732,095
1.13%	1.18%	1.03%
82.1%	73.0%	80.6%
30.14%	29.74%	31.28%
3,363,234	3,343,240	12,159,641
48.4	58.9	49.5
1,820,432	2,401,483	6,972,036
1,041,326	1,180,669	4,452,192
779,106	1,220,814	2,519,844
358,441	299,260	1,245,995
\$420,665	\$921,554	\$1,273,849
6,368,001	6,131,233	6,368,001
6.6c	15.0c	20.0c

Half Year Ended
June 30, 1968

NEW IMPERIAL MINES LTD.

Head Office: Toronto Office:
#310 - 355 Burrard St. #801 - 85 Richmond St. West
Vancouver 1, B.C. Toronto 1, Ont.

se the Company was not in production for the full year.

NEW

TO THE SHAREHOLDERS:

Earnings

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New Imperial Mines repaid in January of this year a further \$536,000 principal, with interest, on its first mortgage bank bonds. The remaining total of \$536,000 will be retired during the next few months.

Fourth quarter earnings were \$420,665, or 6.6c per share. Copper prices during the quarter were considerably lower than a year ago, however, prices have improved in recent weeks.

On December 30, 1968, Sumitomo Metal Mining Co. Ltd. exercised its right to convert a portion of its debt, in the amount of \$300,000, into 230,768 shares of the Company. Further portions can be converted into shares on December 31, 1969 (\$500,000) and on December 31, 1970 (\$800,000).

Mine and Mill Operations

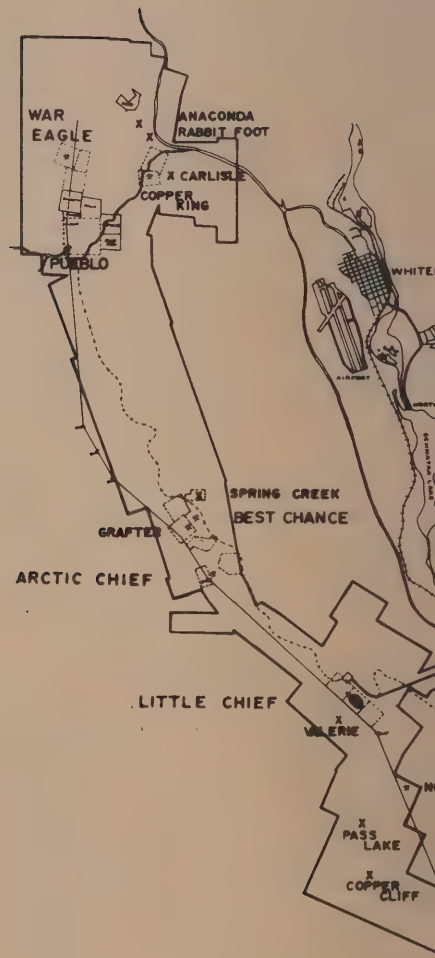
Mill recovery during the fourth quarter remained at the high level established in the previous quarter, but year-end adjustments in inventory reduced operating income. However, during this quarter a stockpile of 200,000 tons of ore was established adjacent to the crusher.

A total of \$600,000 was spent during the year on capital improvements to the mill and other facilities. Major items included mobile equipment, a mill building addition, further mill recovery equipment and upgrading of our water supply and tailings system. We expect that the throughput of the mill will be increased as a result of these improvements and this should effect considerable economies during the coming year.

Despite a prolonged and unusually severe cold spell, mining and milling operations continued through the winter period.

Preproduction

Preproduction work totalling \$210,000 was completed during the year at the War Eagle, Best Chance and Cowley Park open pit de-



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New
Whit Horse

NEW IMPERIAL MINES LTD.

Half Yearly Report

Half Year Ended
June 30, 1968

NEW IMPERIAL MINES LTD.

Head Office:

#310 - 355 Burrard St.
Vancouver 1, B.C.

Toronto Office:

#801 - 85 Richmond St. West
Toronto 1, Ont.

NEW IMPERIAL MINES LTD.

TO THE SHAREHOLDERS:

Earnings

Net profit in the first six months of 1968 was affected by results of the winter operating experience and, in the second quarter, a decline in the selling price of copper that was general throughout the industry. Nevertheless the Company repaid a total of \$797,000 principal, which was in excess of the minimum required, plus \$71,000 interest, on the bank loan during the period. Increased earnings are anticipated in the last half of the year. Improvements in the mill circuit will prevent recurrence of problems encountered in the winter of 1968.

Since shipments to Japan commenced in August, 1967, the Company has shipped a total of 22,273 short wet tons of concentrates, with a gross value of \$7,516,164.

Exploration

The Company is in the midst of its planned exploration program for this year. Drilling is in progress on the Best Chance ore body in order to expand reserves; it now appears that both tonnage and grade will be higher than previously expected. Drilling on five anomalies near the War Eagle deposit is now under way with two drills in operation. The assessment drilling program on Cowley Park increased reserves by 150,000 tons of 1.2% Cu, although this work by no means outlines the full limits of the deposit. A further thirty miles of line cutting is now being carried out in this area.

Assessment drilling work on the recently discovered Gem anomalies has indicated an ore body which appears economic, although full drilling will be required to establish tonnage and grade.

Since July, mining has been in progress on the Arctic Chief deposit. Both the copper grade and gold content are higher than in the Little Chief deposit.

ARNOLD PITT
President

August 26, 1968

First six months of fiscal year
June 30 1968 June 30 1967

STATEMENT OF EARNINGS*

REVENUE FROM CONCENTRATES PRODUCED	\$ 3,273,593
Less: Treatment and marketing costs	597,026
	<u>2,676,567</u>
EXPENDITURES:	
Cost of concentrate production	1,450,635
Administrative costs	232,899
	<u>1,683,534</u>
	993,033
OTHER EXPENSES:	
Interest on long term debt	227,129
Depreciation	284,170
Exploration and Development	31,134
Provision for Yukon Royalty	10,200
	<u>552,633</u>
NET EARNINGS	\$ 440,400
SHARES ISSUED	6,137,233
EARNINGS PER SHARE	<u>7.2c</u>

* No comparative figures are shown for the same period in 1967 because the Company was completing construction of the mine and mill complex at that time.

STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

SOURCE OF WORKING CAPITAL:		
Operations	440,400	
Add: Non-cash outlays		
Depreciation	284,170	
Interest	151,100	
	<u>875,670</u>	
Refinancing of loan	539,995	
Sale of shares	15,700	\$ 10,400
Proceeds of 6% mortgage bonds		806,599
Proceeds of 7.75% mortgage bond		2,749,603
Proceeds of 6% loan		500,000
Proceeds of mortgages		14,000
	<u>1,431,365</u>	<u>4,080,602</u>
USE OF WORKING CAPITAL:		
Preproduction and development	96,491	386,529
Less: Non-cash outlays - interest		13,821
		<u>372,708</u>
Purchase and construction of plant and equipment	233,834	2,183,825
Less: Non-cash outlays - interest		192,204
		<u>1,991,621</u>
Mining property option payments	31,645	26,350
Long term debt repaid and due in current year	1,304,300	3,807
	<u>1,666,270</u>	<u>2,394,486</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(234,905)	1,686,116
WORKING CAPITAL (DEFICIENCY) - BEGINNING	441,221	(754,884)
WORKING CAPITAL - ENDING	\$ 206,316	\$ 931,232

Feb
**NEW IMPERIAL
MINES LTD.**

**Information
to
Shareholders**

NEW IMPERIAL MINES LTD.

Head Office:
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Vancouver 1, B.C.

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NEW IMPERIAL MINES LTD.

TO THE SHAREHOLDERS

In the Annual Report of your Company for 1967, now in your hands, reference was made to a Feasibility Report on underground mining being prepared by Canadian Bechtel Limited. This has now been received and is being studied by your Management.

You will be pleased to know that the Report is favourable, and that it proposes an early start on sinking of the main shaft on the Little Chief Zone of our Whitehorse property. It also recommends that underground drilling be done, which work your Directors hope to have completed early in 1969.

Your Directors are increasingly challenged by the magnitude of the mining potential of the Company's Copper Belt property, as new results are available from exploration. The work which must be done to complete the entire program of exploration and development would entail substantial amounts of the Company's funds being earmarked for this purpose. Accordingly, negotiations have been taking place between Management and various large Canadian and United States mining concerns, with a view to having substantial amounts of money injected into our Company.

It is expected that, if any one of these negotiations culminates in an agreement being reached, your Company may be required to make some equity capital available for investment purpose under such agreement. Our shareholders are accordingly being asked to vote for an increase in the authorized capital of the Company, in order to provide your Management with the required flexibility for entering into such an agreement. There are no plans by the Company at this time to engage in any further public financing.

Exploration is proceeding in the Keewenaw area where a second drill has been put

to work on the Gem claims, while another drill is being set up in the Cowley Park area two miles east of Keewenaw. Geophysical crews will be working on the Keewenaw area by June 5th and they will correlate their induced polarization results with recent drilling. This approach should assist in providing drill targets in an extensive area adjacent to the Gem claims, on which no drilling has yet been done. A relatively thin overburden, with ore often at rock surface, favours positive geophysical results for the area.

The drilling at Cowley Park will explore the area at the west end of that pit where ore reserves of 1,265,000 tons were defined in 1964. Surface drilling in late 1967 showed this mineralized zone to be much wider than had been previously indicated.

Presence of surface ore outcrops between Cowley Park and Keewenaw, together with results of extensive geophysical work done in 1964 in the Keewenaw area where several anomalies were indicated, have heightened your Company's interest in this whole region. Current drilling in the area is additional to our 1968 drill exploration program which is centred immediately north and south of the mill. As part of our projected 1968 program, drilling will begin by mid-June on the War Eagle open pit structure near the north end of the Copper Belt. A drill now en route to the property will be set up to examine potential underground ore with a series of holes beneath the open pit zone.

On behalf of the Board,

ARNOLD PITT

President

June 5, 1968